

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 NEA-10 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 FEA-02 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SPC-03 SS-20 STR-08 TRSE-00 DRC-01 /164 W

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R 131640Z MAR 74

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 156

INFO AMEMBASSY LUXEMBOURG

AMCONSUL ANTWERP

USMISSION OECD PARIS

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: ENRG, BE

SUBJECT: ENERGY: CONTROVERSY OVER BELGIAN PETROLEUM
PRICES CONTINUES

REF: BRUSSELS 704

1. BRITISH PETROLEUM (BP BELGIUM) AND PETROFINA ANNOUNCED MARCH 12 THAT THEY HAD HALTED IMPORTS OF CRUDE OIL FOR USE AT THEIR JOINT REFINERY IN ANTWERP. FURTHERMORE, EACH ANNOUNCED THAT DELIVERIES OF REFINED PRODUCTS TO CUSTOMERS IN BELGIUM WOULD BE SUSPENDED WHEN EXISTING STOCKS WERE GONE. CRUDE OIL HELD BY BP/PETROFINA IN COMPLIANCE WITH LEGAL REQUIREMENTS WOULD REMAIN UNTOUCHED, THE COMPAINES ADDED, SINCE THE BELGIAN ECONOMICS MINISTRY HAD REFUSED THE REFINERY PERMISSION TO REFINES IT.

2. BP AND PETROFINA EACH SUPPLY ABOUT 10 PERCENT OF THE BELGIAN DOMESTIC MARKET.

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3. SHELL OF BELGIUM TOLD EMBOFF MARCH 13 THAT SINCE IT HAS NO REFINERY IN BELGIUM, IT IS IN A POSITION DIFFERENT THAN BP AND PETROFINA. COMPANY HAS DECIDED TO FULFILL ALL BELGIAN CUSTOMER CONTRACTS AND TO DELIVER TO "INTERNATIONAL" CUSTOMERS LOCATED IN BELGIUM BUT TO MAKE NO "CASUAL" SALES. THIS MEANS THAT SHELL IS DELIVERING ABOUT 25 PERCENT OF ITS NORMAL AMOUNT.

4. TEXACO AND CHEVRON OIL REPORT THEY STILL HAVE MODEST STOCKS OF OIL DELIVERED AT PRE-DECEMBER 31 PRICES AND THAT THEREFORE THEY ARE STILL PROFITABLY DELIVERING (AT A REDUCED RATE) TO ALL COMERS.

5. COMMENT: CRUX OF PROBLEM IS THAT THE GOB CONTROLLED PRICES FOR PETROLEUM PRODUCTS REMAIN AT VIRTUALLY SAME LEVEL AS BEFORE HIKE IN WORLD OIL PRICES AT END OF LAST YEAR. FOR EXAMPLE, FREE OF TAX GASOLINE IN BELGIUM STILL COSTS US DIPLOMATS NINE US CENTS PER LITER. IN GERMANY, SAME GASOLINE REPORTEDLY NOW COSTS SIXTEEN US CENTS PER LITER. PETROLEUM COMPANIES IN BELGIUM NOW PUBLICLY ARGUE THAT THEY CURRENTLY LOSE AN AMOUNT EQUAL TO TWENTY-FIVE PERCENT OF THE PRICE WITH EVERY PETROLEUM PRODUCT SOLD.

6. BELGIAN MINISTRY OF ECONOMICS HAS ANNOUNCED THAT GOB PRICE COMMISSION WILL MEET MARCH 14 AND 15 TO EXAMINE REQUEST FROM OIL COMPANIES FOR PERMISSION TO RAISE PRICES. MINISTER FOR ECONOMIC AFFAIRS (CARETAKER FROM PRE-ELECTION CABINET) HAS PROMISED A FIRM DECISION NEXT WEEK. NEWSPAPER SPECULATION IS THAT A HIKE OF UP TO FORTY-EIGHT PERCENT (BEFORE TAXES) CAN BE EXPECTED NOW THAT THE ELECTIONS ARE OVER. BOOCHEVER

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